



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE

February 9, 2016

Contact: Andy Nielsen
515/281-5834

Auditor of State Mary Mosiman today released an audit report on the City of Carlisle, Iowa.

The City's receipts totaled \$8,291,548 for the year ended June 30, 2015, an 8.9% increase over the prior year. The receipts included \$1,755,328 in property tax, \$30,548 from tax increment financing, \$4,255,518 from charges for service, \$565,040 from operating grants, contributions and restricted interest, \$1,569,813 from capital grants, contributions and restricted interest, \$13,279 from unrestricted interest on investments, \$25,465 from commercial/industrial tax replacement, \$30,737 from utility franchise fees and \$45,820 from other general receipts.

Disbursements for the year ended June 30, 2015 totaled \$8,313,433, a 2.3% decrease from the prior year, and included \$1,543,010 for capital projects, \$1,139,313 for public safety and \$712,775 for debt service. Also, disbursements for business type activities totaled \$3,583,902.

A copy of the audit report is available for review in the City Clerk's Office, in the Office of the Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1520-0870-B00F.pdf>.

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CITY OF CARLISLE

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
SUPPLEMENTARY AND OTHER INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2015

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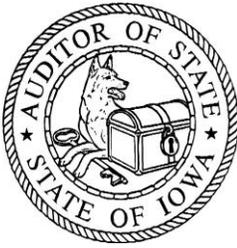
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City of Carlisle

Officials

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------------|--------------------------|---------------------|
| Ruth Randleman | Mayor | Jan 2018 |
| Joe Grandstaff | Mayor Pro tem | Jan 2016 |
| Drew Merrifield | Council Member | Jan 2016 |
| Robert Van Ryswyk | Council Member | Jan 2016 |
| Eric Goodhue | Council Member | Jan 2018 |
| Doug Hammerand | Council Member | Jan 2018 |
| Andrew Lent | Administrator/City Clerk | Indefinite |
| Andra K. Black | Deputy City Clerk | Indefinite |
| Robert L. Stuyvesant | Attorney | Indefinite |

City of Carlisle



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle as of June 30, 2015, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

Basis of Accounting

As discussed in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. Our opinions are not modified with respect to this matter.

Emphasis of a Matter

As discussed in Note 4 to the financial statements, the City of Carlisle adopted new accounting guidance related to Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions. Our opinions are not modified with respect to this matter.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Carlisle's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the nine years ended June 30, 2014 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, Management's Discussion and Analysis, the Budgetary Comparison Information, the Schedule of the City's Proportionate Share of the Net Pension Liability and the Schedule of City Contributions on pages 7 through 12 and 36 through 43, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 25, 2016 on our consideration of the City of Carlisle's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City of Carlisle's internal control over financial reporting and compliance.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Carlisle provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2015. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2015 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 6.8%, or approximately \$291,000, from fiscal year 2014 to fiscal year 2015, primarily due to an increase in capital grants.
- The City's governmental activities disbursements decreased approximately \$8,000, or less than one percent, from fiscal year 2014 to fiscal year 2015.
- The City's governmental activities cash balance at June 30, 2015 decreased 5.2%, or approximately \$91,000, from June 30, 2014.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Cash Basis Statement of Activities and Net Position. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide financial statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison of the City's budget for the year and the City's proportionate share of the net pension liability and related contributions.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the City.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Cash Basis Statement of Activities and Net Position reports information which helps answer this question.

The Cash Basis Statement of Activities and Net Position presents the City's net position. Over time, increases or decreases in the City's net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Cash Basis Statement of Activities and Net Position are divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the water system, the sanitary sewer system and the electric system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

2) Proprietary funds account for the City's Enterprise Funds and the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the Water, Sewer and Electric Funds, considered to be major funds of the City. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

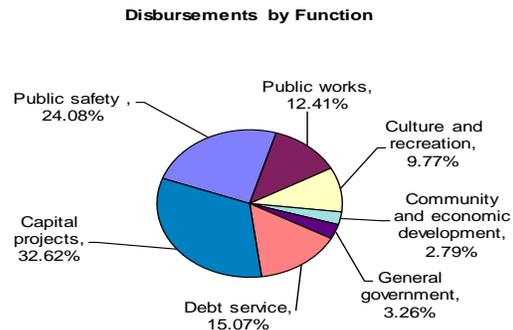
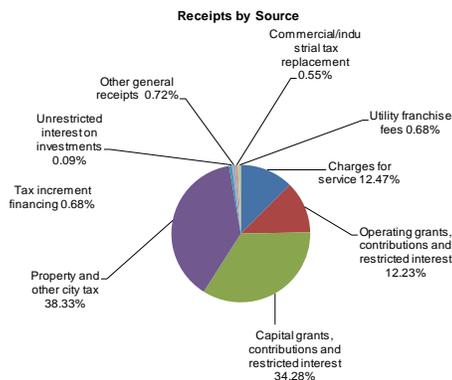
The required financial statement for proprietary funds is a Statement of Cash Receipts, Disbursements and Changes in Cash Balances.

Reconciliations between the government-wide financial statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities decreased from a year ago, decreasing from approximately \$1.732 million to approximately \$1.641 million. The analysis that follows focuses on the changes in cash basis net position of governmental activities.

| Changes in Cash Basis Net Position of Governmental Activities (Expressed in Thousands) | | |
|---|---------------------|--------------|
| | Year ended June 30, | |
| | 2015 | 2014 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service | \$ 571 | 774 |
| Operating grants, contributions and restricted interest | 560 | 549 |
| Capital grants, contributions and restricted interest | 1,570 | 463 |
| General receipts: | | |
| Property and other city tax | 1,755 | 1,681 |
| Tax increment financing | 31 | 2 |
| Unrestricted interest on investments | 4 | 5 |
| Commercial/industrial tax replacement | 25 | - |
| Utility franchise fees | 31 | 23 |
| General obligation capital loan note proceeds | - | 627 |
| Urban renewal TIF revenue capital loan note proceeds | - | 145 |
| Other general receipts | 33 | 20 |
| Total receipts | <u>4,580</u> | <u>4,289</u> |
| Disbursements: | | |
| Operating: | | |
| Public safety | 1,139 | 1,585 |
| Public works | 587 | 573 |
| Culture and recreation | 462 | 517 |
| Community and economic development | 132 | 293 |
| General government | 154 | 189 |
| Debt service | 713 | 680 |
| Capital projects | 1,543 | 901 |
| General obligation capital loan and grant anticipation project notes refunded or redeemed | - | - |
| Total disbursements | <u>4,730</u> | <u>4,738</u> |
| Change in cash basis net position before transfers | (150) | (449) |
| Transfers, net | 59 | 57 |
| Change in cash basis net position | <u>(91)</u> | <u>(392)</u> |
| Cash basis net position beginning of year | 1,732 | 2,124 |
| Cash basis net position end of year | <u>\$ 1,641</u> | <u>1,732</u> |



The City's total receipts for governmental activities increased 6.8%, or approximately \$291,000. The total cost of all programs and services decreased approximately \$8,000, or less than one percent, with no new programs added this year. The increase in receipts was primarily the result of an increase in capital grants received for the Scotch Ridge nature trail project, offset by a decrease in note proceeds.

The City increased property tax rates for fiscal year 2015 an average of 2.5%. This increase raised the City's property tax receipts approximately \$74,000 in fiscal year 2015.

The cost of all governmental activities this year was approximately \$4.730 million compared to approximately \$4.738 million last year. However, as shown in the Cash Basis Statement of Activities and Net Position on pages 14-15, the amount taxpayers ultimately financed for these activities was approximately \$2.029 million because some of the cost was paid by those directly benefited from the programs (approximately \$571,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (approximately \$2,130,000). The City paid for the remaining "public benefit" portion of governmental activities with property tax (some of which could only be used for certain programs) and with other receipts, such as interest and miscellaneous receipts. Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service, increased in fiscal year 2015 from approximately \$1,786,000 to approximately \$2,701,000, principally due to receiving grant proceeds to complete the Scotch Ridge nature trail project.

| Changes in Cash Basis Net Position of Business Type Activities (Expressed in Thousands) | | |
|--|---------------------|--------------|
| | Year ended June 30, | |
| | 2015 | 2014 |
| Receipts: | | |
| Program receipts: | | |
| Charges for service: | | |
| Water | \$ 501 | 510 |
| Sewer | 842 | 858 |
| Electric | 2,342 | 1,926 |
| Operating grants and contributions: | | |
| Sewer | - | - |
| Operating grants, contributions and restricted interest | 5 | - |
| General receipts: | | |
| Unrestricted interest on investments | 9 | 10 |
| General obligation capital loan note proceeds | - | - |
| Sewer revenue capital loan note proceeds | - | - |
| Miscellaneous | 13 | 18 |
| Total receipts | <u>3,712</u> | <u>3,322</u> |
| Disbursements: | | |
| Water | 480 | 528 |
| Sewer | 723 | 862 |
| Electric | 2,381 | 2,381 |
| Total disbursements | <u>3,584</u> | <u>3,771</u> |
| Change in cash basis net position before transfers | 128 | (449) |
| Transfers, net | (59) | (57) |
| Change in cash basis net position | 69 | (506) |
| Cash basis net position beginning of year | 2,017 | 2,523 |
| Cash basis net position end of year | <u>\$ 2,086</u> | <u>2,017</u> |

Total business type activities receipts for the fiscal year were approximately \$3.712 million compared to approximately \$3.322 million last year. The significant increase is due primarily to an increase in electric rates in fiscal year 2015. Business type activities disbursements decreased approximately \$187,000, or 5.0%.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Carlisle completed the year, its governmental funds reported a combined fund balance of \$1,639,855, a decrease of \$78,818 from last year's total of \$1,718,673. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$15,308, or 1.8%, over the prior year, resulting in an ending cash balance of \$860,685 at June 30, 2015.
- The Special Revenue, Road Use Tax Fund cash balance increased \$23,382 during the fiscal year to \$229,628 at June 30, 2015. Receipts increased \$16,157 and disbursements increased \$7,646.
- The Debt Service Fund cash balance increased \$209,640 to \$520,022 at June 30, 2015. This is primarily due to an increase in receipts from special assessments.
- The Capital Projects Fund cash balance decreased \$311,768 to a deficit of \$69,938 at June 30, 2015. The decrease is due to timing differences between receipts from debt proceeds and grant reimbursements and disbursements for various capital projects.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance decreased \$22,869, or 4.3%, from the prior year to \$512,968. The decrease is due to costs incurred for water system improvements and a decrease in water tower rental income.
- The Enterprise, Sewer Fund cash balance increased \$129,573, or 10.0%, over the prior year to \$1,419,531. The increase in cash balance is due to receipts exceeding disbursements during the current year.
- The Enterprise, Electric Fund cash balance decreased \$27,712, or 15.4%, to \$152,730 during the fiscal year. Operating receipts increased approximately \$415,000 due to a rate increase while operating disbursements increased approximately \$148,000, primarily due to an increase in the cost of purchasing power from fiscal year 2014 to fiscal year 2015.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget two times. The first amendment was approved on May 28, 2015 and resulted in an increase of \$49,829 in budgeted receipts and other financing sources and an increase in budgeted disbursements of \$679,929 for work on the Scotch Ridge nature trail project. The second amendment was approved on June 22, 2015 to provide for a forgivable loan pursuant to a development agreement.

The City's total receipts were \$649,547 less than budgeted, mainly due to the delay of trail project grant reimbursements as well as more than expected electric utility receipts.

Total disbursements were \$770,907 less than budgeted. Actual capital projects and business-type activities function disbursements were \$165,490 and \$375,106, respectively, less than budgeted due to projects not being completed as budgeted.

Disbursements at June 30, 2015 exceeded the amount budgeted in the community and economic development function.

DEBT ADMINISTRATION

At June 30, 2015, the City had \$6,917,566 of notes outstanding, compared to \$7,815,325 of notes last year, as shown below:

| | Outstanding Debt at Year-End | |
|---------------------------------------|------------------------------|-------|
| | (Expressed in Thousands) | |
| | June 30, | |
| | 2015 | 2014 |
| General obligation capital loan notes | \$ 3,490 | 4,095 |
| Revenue capital loan notes | 3,428 | 3,720 |
| Total | \$ 6,918 | 7,815 |

Debt outstanding decreased as a result of scheduled principal payments.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation debt of \$3,611,582, including TIF debt of \$121,582, is significantly below its constitutional debt limit of approximately \$10.2 million.

More detailed information about the City's long-term debt is presented in Note 3 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials and citizens considered many factors when setting the fiscal year 2016 budget. One of those factors is the economy. The City's total assessed valuations have increased slightly. However, funding from the State has decreased due to the State's budget constraints. The City Council worked hard to retain a similar tax rate for fiscal year 2016 with only a small increase in the City's overall tax rate of \$.50 per \$1,000 of taxable valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Andy Lent, City Clerk, or Kay Black, Deputy City Clerk, 195 N 1st Street, Carlisle, Iowa 50047.

Basic Financial Statements

City of Carlisle

Cash Basis Statement of Activities and Net Position

As of and for the year ended June 30, 2015

| | Disbursements | Program Receipts | | |
|---|---------------------|---------------------------|--|--|
| | | Charges for Service | Operating Grants, Contributions and Restricted Interest | Capital Grants, Contributions and Restricted Interest |
| Functions/Programs: | | | | |
| Governmental activities: | | | | |
| Public safety | \$ 1,139,313 | 225,423 | 81,613 | - |
| Public works | 586,510 | 218,759 | 403,036 | - |
| Culture and recreation | 462,196 | 81,645 | 71,714 | 584 |
| Community and economic development | 132,086 | 22,523 | 1,083 | - |
| General government | 153,641 | 22,108 | - | - |
| Debt service | 712,775 | - | 2,838 | 337,987 |
| Capital projects | 1,543,010 | - | - | 1,231,242 |
| | <u>3,186,521</u> | <u>570,458</u> | <u>560,284</u> | <u>338,571</u> |
| Total governmental activities | <u>4,729,531</u> | <u>570,458</u> | <u>560,284</u> | <u>1,569,813</u> |
| Business type activities: | | | | |
| Water | 479,810 | 501,365 | - | - |
| Sewer | 723,041 | 841,727 | 4,540 | - |
| Electric | 2,381,051 | 2,341,968 | 216 | - |
| Total business type activities | <u>3,583,902</u> | <u>3,685,060</u> | <u>4,756</u> | <u>-</u> |
| Total | <u>\$ 8,313,433</u> | <u>4,255,518</u> | <u>565,040</u> | <u>1,569,813</u> |
| General Receipts and Transfers: | | | | |
| Property and other city tax levied for: | | | | |
| General purposes | | | | |
| Debt service | | | | |
| Tax increment financing | | | | |
| Unrestricted interest on investments | | | | |
| Commerical/industrial tax replacement | | | | |
| Utility franchise fees | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total general receipts and tranfers | | | | |
| Change in cash basis net position | | | | |
| Cash basis net position beginning of year | | | | |
| Cash basis net position end of year | | | | |
| Cash Basis Net Position | | | | |
| Restricted: | | | | |
| Nonexpendable: | | | | |
| Cemetary perpetual care | | | | |
| Expendable: | | | | |
| Debt service | | | | |
| Streets | | | | |
| Library | | | | |
| Fire | | | | |
| Other purposes | | | | |
| Unrestricted | | | | |
| Total cash basis net position | | | | |

See notes to financial statements.

City of Carlisle

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2015

| | General | Special Revenue Road Use Tax |
|--|--------------|------------------------------------|
| Receipts: | | |
| Property tax | \$ 1,046,014 | - |
| Tax increment financing | - | - |
| Other city tax | 14,643 | - |
| Licenses and permits | 94,475 | - |
| Use of money and property | 20,028 | - |
| Intergovernmental | 120,555 | 403,036 |
| Charges for service | 471,938 | - |
| Special assessments | - | - |
| Miscellaneous | 56,168 | 154 |
| Total receipts | 1,823,821 | 403,190 |
| Disbursements: | | |
| Operating: | | |
| Public safety | 1,091,893 | - |
| Public works | 204,594 | 379,808 |
| Culture and recreation | 435,937 | - |
| Community and economic development | 45,775 | - |
| General government | 153,487 | - |
| Debt service | - | - |
| Capital projects | - | - |
| Total disbursements | 1,931,686 | 379,808 |
| Excess (deficiency) of receipts over (under) disbursements | (107,865) | 23,382 |
| Other financing sources (uses): | | |
| Transfers in | 123,173 | - |
| Transfers out | - | - |
| Total other financing sources (uses) | 123,173 | - |
| Change in cash balances | 15,308 | 23,382 |
| Cash balances beginning of year | 845,377 | 206,246 |
| Cash balances end of year | \$ 860,685 | 229,628 |
| Cash Basis Fund Balances | | |
| Nonspendable - Cemetary perpetual care | \$ - | - |
| Restricted for: | | |
| Debt service | - | - |
| Streets | - | 229,628 |
| Library | - | - |
| Fire | - | - |
| Other purposes | - | - |
| Unassigned | 860,685 | - |
| Total cash basis fund balances | \$ 860,685 | 229,628 |

See notes to financial statements.

| Debt Service | Capital Projects | Nonmajor | Total |
|--------------|------------------|-----------|-----------|
| 566,138 | - | 120,459 | 1,732,611 |
| - | - | 30,548 | 30,548 |
| 7,137 | - | 937 | 22,717 |
| - | - | - | 94,475 |
| 2,838 | 214 | - | 23,080 |
| 8,315 | 1,096,938 | 1,777 | 1,630,621 |
| - | - | - | 471,938 |
| 337,987 | - | - | 337,987 |
| - | 134,090 | 45,584 | 235,996 |
| 922,415 | 1,231,242 | 199,305 | 4,579,973 |
| - | - | 39,939 | 1,131,832 |
| - | - | - | 584,402 |
| - | - | 24,362 | 460,299 |
| - | - | 86,311 | 132,086 |
| - | - | - | 153,487 |
| 712,775 | - | - | 712,775 |
| - | 1,543,010 | - | 1,543,010 |
| 712,775 | 1,543,010 | 150,612 | 4,717,891 |
| 209,640 | (311,768) | 48,693 | (137,918) |
| - | - | 59,100 | 182,273 |
| - | - | (123,173) | (123,173) |
| - | - | (64,073) | 59,100 |
| 209,640 | (311,768) | (15,380) | (78,818) |
| 310,382 | 241,830 | 114,838 | 1,718,673 |
| 520,022 | (69,938) | 99,458 | 1,639,855 |
| - | - | 45,772 | 45,772 |
| 520,022 | - | - | 520,022 |
| - | - | - | 229,628 |
| - | - | 31,331 | 31,331 |
| - | - | 44,504 | 44,504 |
| - | - | 1,350 | 1,350 |
| - | (69,938) | (23,499) | 767,248 |
| 520,022 | (69,938) | 99,458 | 1,639,855 |

City of Carlisle

City of Carlisle

Reconciliation of the Statement of Cash Receipts, Disbursements and Changes in Cash Balances to the Cash Basis Statement of Activities and Net Position - Governmental Funds

As of and for the year ended June 30, 2015

Total governmental funds cash balances (page 17) \$ 1,639,855

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund is included in governmental activities in the Cash Basis Statement of Activities and Net Position.

1,033

Cash basis net position of governmental activities (page 15) \$ 1,640,888

Change in cash balances (page 17) \$ (78,818)

Amounts reported for governmental activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with governmental activities in the Cash Basis Statement of Activities and Net Position.

(11,601)

Change in cash basis net position of governmental activities (page 15) \$ (90,419)

See notes to financial statements.

Exhibit D

City of Carlisle

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2015

| | Enterprise | | | | Internal Service |
|---|------------|-----------|-----------|-----------|-----------------------------|
| | Water | Sewer | Electric | Total | Self Funded Insurance |
| Operating receipts: | | | | | |
| Charges for service | \$ 501,365 | 841,730 | 2,341,968 | 3,685,063 | - |
| Miscellaneous | - | - | 213 | 213 | 19,703 |
| Total operating receipts | 501,365 | 841,730 | 2,342,181 | 3,685,276 | 19,703 |
| Operating disbursements: | | | | | |
| Governmental activities: | | | | | |
| Public safety | - | - | - | - | 14,139 |
| Public works | - | - | - | - | 3,587 |
| Culture and recreation | - | - | - | - | 292 |
| General government | - | - | - | - | 3,984 |
| Business type activities | 441,546 | 437,251 | 2,252,185 | 3,130,982 | 19,834 |
| Total operating disbursements | 441,546 | 437,251 | 2,252,185 | 3,130,982 | 41,836 |
| Excess (deficiency) of operating receipts over (under) operating disbursements | 59,819 | 404,479 | 89,996 | 554,294 | (22,133) |
| Non-operating receipts (disbursements): | | | | | |
| Interest on investments | 2,123 | 6,344 | 665 | 9,132 | 74 |
| Rent | 12,553 | - | - | 12,553 | - |
| State grant | - | 4,540 | - | 4,540 | - |
| Debt service | - | (272,025) | (116,850) | (388,875) | - |
| Capital projects | (38,264) | (13,765) | (1,523) | (53,552) | - |
| Net non-operating receipts (disbursements) | (23,588) | (274,906) | (117,708) | (416,202) | 74 |
| Excess (deficiency) of receipts over (under) disbursements | 36,231 | 129,573 | (27,712) | 138,092 | (22,059) |
| Transfers out | (59,100) | - | - | (59,100) | - |
| Change in cash balances | (22,869) | 129,573 | (27,712) | 78,992 | (22,059) |
| Cash balances beginning of year | 535,837 | 1,289,958 | 180,442 | 2,006,237 | 23,890 |
| Cash balances end of year | \$ 512,968 | 1,419,531 | 152,730 | 2,085,229 | 1,831 |
| Cash Basis Fund Balances | | | | | |
| Restricted for debt service | \$ - | 247,200 | 99,600 | 346,800 | - |
| Unrestricted | 512,968 | 1,172,331 | 53,130 | 1,738,429 | 1,831 |
| Total cash basis fund balances | \$ 512,968 | 1,419,531 | 152,730 | 2,085,229 | 1,831 |

See notes to financial statements.

City of Carlisle

Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Cash Basis Statement of Activities and Net Position –
Proprietary Funds

As of and for the year ended June 30, 2015

Total enterprise funds cash balances (page 20) \$ 2,085,229

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the cash balance of the Internal Service Fund are included in business type activities in the Cash Basis Statement of Activities and Net Position.

798

Cash basis net position of business type activities (page 15)

\$ 2,086,027

Change in cash balances (page 20)

\$ 78,992

Amounts reported for business type activities in the Cash Basis Statement of Activities and Net Position are different because:

The Internal Service Fund is used by management to charge the costs of partial self funding of the City's insurance benefit plan to individual funds. A portion of the change in the cash balance of the Internal Service Fund is reported with business type activities in the Cash Basis Statement of Activities and Net Position.

(10,458)

Change in cash basis net position of business type activities (page 15)

\$ 68,534

See notes to financial statements.

City of Carlisle

City of Carlisle

Notes to Financial Statements

June 30, 2015

(1) Summary of Significant Accounting Policies

The City of Carlisle is a political subdivision of the State of Iowa located in Warren County. It was first incorporated in 1870 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development and general government services. The City also provides water, sewer and electric utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Carlisle has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These financial statements present the City of Carlisle (the primary government) and the Friends of the Carlisle Library, the Carlisle Library Foundation and the Carlisle Firemen's Enterprises Corporation (component units). These component units are included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Blended Component Units

The Friends of the Carlisle Library, the Carlisle Library Foundation and the Carlisle Firemen's Enterprises Corporation are entities which are legally separate from the City, but are so intertwined with the City they are, in substance, the same as the City. They are reported as part of the City and blended into the appropriate funds.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Warren County Assessor's Conference Board, Warren County Emergency Management Commission and Warren County Joint E911 Service Board.

The City also participates in the following jointly governed organizations established pursuant to Chapter 28E of the Code of Iowa: Des Moines Area Transportation Planning Commission and Central Iowa Area Safety and Support Organization.

B. Basis of Presentation

Government-wide Financial Statement – The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental receipts, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in the following categories/components:

Nonexpendable restricted net position is subject to externally imposed stipulations which require the cash balances to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net position results when constraints placed on the use of cash balances are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

Unrestricted net position consists of cash balances not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrate the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is utilized to account for all resources used in the acquisition and construction of capital facilities, with the exception of those financed through Enterprise Funds.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Electric Fund accounts for the operation and maintenance of the City's electric system.

The City also reports the following additional proprietary fund:

An Internal Service Fund is utilized to account for the financing of goods or services purchased by one department of the City and provided to other departments or agencies on a cost reimbursement basis.

C. Measurement Focus and Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

Unassigned – All amounts not included in the preceding classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

(2) Cash and Pooled Investments

The City’s deposits in banks and credit unions at June 30, 2015 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to ensure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Notes Payable

Annual debt service requirements to maturity for general obligation capital loan notes and revenue capital loan notes are as follows:

| Year Ending June 30, | General Obligation Capital Loan Notes | | Revenue Capital Loan Notes | | Total | |
|----------------------------|--|----------|-------------------------------|-----------|-----------|-----------|
| | Principal | Interest | Principal | Interest | Principal | Interest |
| 2016 | 615,000 | 83,160 | 298,882 | 111,201 | 913,882 | 194,361 |
| 2017 | 630,000 | 71,205 | 313,666 | 103,512 | 943,666 | 174,717 |
| 2018 | 580,000 | 57,603 | 321,055 | 95,013 | 901,055 | 152,616 |
| 2019 | 570,000 | 43,903 | 333,463 | 86,130 | 903,463 | 130,033 |
| 2020 | 430,000 | 29,395 | 319,123 | 76,402 | 749,123 | 105,797 |
| 2021-2025 | 665,000 | 28,815 | 1,039,603 | 222,822 | 1,704,603 | 251,637 |
| 2026-2030 | - | - | 112,455 | 135,870 | 112,455 | 135,870 |
| 2031-2035 | - | - | 133,714 | 114,611 | 133,714 | 114,611 |
| 2036-2040 | - | - | 159,037 | 89,288 | 159,037 | 89,288 |
| 2041-2045 | - | - | 189,206 | 59,119 | 189,206 | 59,119 |
| 2046-2050 | - | - | 171,525 | 25,782 | 171,525 | 25,782 |
| 2051-2055 | - | - | 35,837 | 1,344 | 35,837 | 1,344 |
| Total | \$ 3,490,000 | 314,081 | 3,427,566 | 1,121,094 | 6,917,566 | 1,435,175 |

Urban Renewal Tax Increment Financing (TIF) Revenue Capital Loan Notes

The City issued \$145,000 of interest free urban renewal tax increment financing (TIF) revenue capital loan notes in April 2014 for the purpose of making a grant to a developer to assist with the purchase of development property. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to produce 100% of the debt service requirements over the life of the notes. The proceeds of the urban renewal tax increment financing revenue capital loan notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limitation of the City. Total principal remaining on the notes is \$121,582, payable through June 2020. For the current year, total TIF receipts were \$30,548.

Revenue Notes

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$2,145,000 of sewer revenue capital loan notes issued May 28, 2008. The notes were issued for the purpose of paying the costs of improvements and extensions to the sewer system. The City has also pledged future sewer customer receipts, net of specified operating disbursements, to repay \$1,026,000 of USDA subordinate sewer revenue capital loan notes issued October 26, 2011. The notes were issued for the purpose of paying the costs of improvements and extensions to the sewer system, including the construction of a sanitary sewer collection system for the Avon Lake Area. The notes are payable solely and only out of the net earnings of the sewer utility system and are payable through 2051. The total principal and interest remaining to be paid on the notes is \$3,551,328. For the current year, sewer revenue capital loan note principal and interest paid and total customer net receipts were \$271,525 and \$404,479, respectively. Annual principal and interest payments on the sewer revenue capital loan notes are expected to require approximately 67% of net receipts.

The City has pledged future electric customer receipts, net of specified operating disbursements, to repay \$995,000 of electric revenue capital loan notes issued October 23, 2012. The notes were issued for the purpose of paying costs of constructing extensions and improvements to the municipal electric utility, including constructing and equipping a utility facility building addition. The notes are payable solely and only out of the net earnings of the electric utility system and are payable through 2023. The total principal and interest remaining to be paid on the notes is \$875,750. For the current year, electric revenue capital loan note principal and interest paid and total customer net receipts were \$116,350 and \$89,996, respectively. Annual principal and interest payments on the electric revenue capital loan notes are expected to require more than 100% of net receipts.

The resolutions providing for the issuance of the sewer and electric revenue capital loan notes include the following provisions:

- (1) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (2) Sufficient monthly transfers shall be made to separate sewer and electric revenue sinking accounts within the Enterprise Funds for the purpose of making the note principal and interest payments when due.

- (3) For the sewer revenue capital loan notes, \$214,000 shall be deposited in a reserve account. For the electric revenue capital loan notes, \$90,000 shall be deposited in a reserve account. These accounts are restricted for the purpose of paying note principal and interest payments when insufficient money is available in the sinking accounts.
- (4) Sewer and electric user rates shall be established at a level which produces net revenues at a level not less than 125% of the amount of principal and interest due on the bonds and notes during the same year.

During the year ended June 30, 2015, transfers to the sewer revenue note sinking account were not sufficient to make the required principal and interest payments on the notes when due.

The City's electric reserve account was not maintained at an amount equal to the reserve account requirement as required by the provisions of the electric revenue capital loan notes and monthly transfers to the electric reserve account were not made. The City has not complied with the electric revenue capital loan note provision which states the rates must be sufficient to produce net revenues not less than 125% of the principal and interest requirements.

(4) Pension Plan

Plan Description - IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by the Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at www.ipers.org.

IPERS benefits are established under Iowa Code Chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

Pension Benefits - A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. (These qualifications must be met on the member's first month of entitlement to benefits.) Members cannot begin receiving retirement benefits before age 55. The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary.)

Protection occupation members may retire at normal retirement age, which is generally at age 55. Protection occupation members may retire any time after reaching age 50 with 22 or more years of covered employment.

The formula used to calculate a protection member's monthly IPERS benefits includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month the member receives benefits before the member's earliest normal retirement age. For service earned on or after July 1, 2012, the reduction is 0.50% for each month the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

Disability and Death Benefits - A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

Contributions - Effective July 1, 2012, as a result of a 2010 law change, the contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. State statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30-year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll based on the Actuarial Amortization Method adopted by the Investment Board.

In fiscal year 2015, pursuant to the required rate, Regular members contributed 5.95% of pay and the City contributed 8.93% for a total rate of 14.88%. Protection occupation members contributed 6.76% and the City contributed 10.14% for a total rate of 16.90%.

The City's contributions to IPERS for the year ended June 30, 2015 totaled \$124,055.

Collective Net Pension Liability, Pension Expense, Collective Deferred Outflows of Resources and Collective Deferred Inflows of Resources Related to Pensions - At June 30, 2015, the City's liability for its proportionate share of the collective net pension liability totaled \$388,496. The collective net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the collective net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the collective net pension liability was based on the City's share of contributions to IPERS relative to the contributions of all IPERS participating employers. At June 30, 2014, the City's proportion was 0.000098%, which was a decrease of 0.000028% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City's collective pension expense, collective deferred outflows of resources and collective deferred inflows of resources totaled \$46,628, \$27,167 and \$301,757, respectively.

Actuarial Assumptions - The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

| | |
|--|--|
| Rate of inflation (effective June 30, 2014) | 3.00% per annum |
| Rates of salary increase (effective June 30, 2010) | 4.00 to 17.00% average, including inflation. Rates vary by membership group |
| Long-term investment rate of return (effective June 30, 1996) | 7.50% compounded annually, net of investment expense, including inflation |

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of actuarial experience studies with dates corresponding to those listed above.

Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The long-term expected rate of return on IPERS' investments was determined using a building-block method in which best-estimate ranges of expected future real rates (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Asset Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------|-------------------------|---|
| US Equity | 23% | 6.31% |
| Non US Equity | 15 | 6.76 |
| Private Equity | 13 | 11.34 |
| Real Estate | 8 | 3.52 |
| Core Plus Fixed Income | 28 | 2.06 |
| Credit Opportunities | 5 | 3.67 |
| TIPS | 5 | 1.92 |
| Other Real Assets | 2 | 6.27 |
| Cash | 1 | (0.69) |
| Total | <u>100%</u> | |

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed employee contributions will be made at the contractually required rate and contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, IPERS' fiduciary net position was projected to be available to make all projected future benefit payments to current active and inactive employees. Therefore, the long-term expected rate of return on IPERS' investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.50%, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate 1% lower (6.50%) or 1% higher (8.50%) than the current rate.

| | 1% Decrease (6.50%) | Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|---------------------------|-----------------------------|---------------------------|
| City's proportionate share of the net pension liability (asset) | \$ 1,044,485 | \$ 388,496 | \$ (164,908) |

IPERS' Fiduciary Net Position - Detailed information about IPERS' fiduciary net position is available in the separately issued IPERS financial report which is available on IPERS' website at www.ipers.org.

(5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer health benefit plan which provides medical/prescription drug, vision and dental benefits for employees, retirees and their spouses. There are 21 active and 1 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical/prescription drug and vision benefits are provided through fully-insured plans with Wellmark and Avesis. The dental benefits are self-funded. Retirees under age 65 pay the same premium for the medical/prescription drug, vision and dental benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$487 for single coverage, \$1,008 for employee and spouse coverage, \$941 for employee and child coverage and \$1,467 for family coverage. For the year ended June 30, 2015, the City contributed \$224,739 and plan members eligible for benefits contributed \$49,130 to the plan.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and compensatory time for subsequent use or for payment upon termination, retirement or death. Unused sick leave hours are lost upon resignation or termination. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and compensatory time payable to employees at June 30, 2015, primarily relating to the General Fund, is as follows:

| <u>Type of Benefit</u> | <u>Amount</u> |
|------------------------|------------------|
| Vacation | \$ 82,000 |
| Compensatory time | <u>90,000</u> |
| Total | <u>\$172,000</u> |

This liability has been computed based on rates of pay in effect at June 30, 2015.

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2015 is as follows:

| Transfer to | Transfer from | Amount |
|-----------------------------|-------------------|-------------------|
| General | Special Revenue: | |
| | Employee Benefits | \$ 123,173 |
| Special Revenue: | Enterprise: | |
| Urban Renewal Tax Increment | Water | 59,100 |
| Total | | <u>\$ 182,273</u> |

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Employee Dental and Short-Term Disability Insurance Plan

The City's Internal Service, Self Funded Insurance Fund was established to account for the self funding of the City's dental and short-term disability insurance plan. The plan is funded by City contributions and is administered through a service agreement with TRISTAR Benefit Administrators.

The plan provides dental and short-term disability coverage for eligible employees and, if elected, their spouses and dependents. The maximum annual coverage for dental coverage is \$1,500 per person, except for orthodontia services which are limited to \$1,000 per lifetime. Benefits for short-term disability equal two thirds of the employee's average weekly earnings, up to a maximum benefit of \$400 per week, for up to 26 weeks, at which time the City's long-term disability insurance coverage begins.

Monthly payments of service fees and plan contributions to the Internal Service, Self Funded Insurance Fund are recorded as disbursements from the operating funds. Under the administrative services agreement, monthly payments of service fees and claims processed are paid to TRISTAR Benefit Administrators. The City's contribution to the fund for the year ended June 30, 2015 was \$19,703.

(10) Development Agreement

The City entered into a development agreement on September 16, 2013 to assist an urban renewal project. The agreement requires the City to rebate portions of the incremental property tax paid by the developer in exchange for minimum improvements to be constructed on the development property.

The total to be paid by the City under the agreement is not to exceed \$1,800,000. The City is to begin rebating incremental property tax on June 1, 2017. The outstanding balance of the agreement at June 30, 2015 was \$1,800,000.

This agreement is not a general obligation of the City. The agreement includes an annual appropriation clause and, accordingly, only the amount payable in the succeeding year is subject to the constitutional debt limitation of the City.

(11) Interfund Loan

The Enterprise, Water Fund provided a \$59,100 loan to the Special Revenue, Urban Renewal Tax Increment Fund to fund an economic development loan associated with a development agreement. The loan will be repaid through transfers from the Special Revenue, Urban Renewal Tax Increment Fund as receipts of the fund become available. No reimbursements occurred during the year ended June 30, 2015.

(12) Deficit Balances

The Special Revenue, Urban Renewal Tax Increment Fund and the Capital Projects Fund had deficit balances of \$23,499 and \$69,938, respectively, at June 30, 2015. The deficits were the result of costs incurred prior to the availability of funds. The deficits will be eliminated through receipt of urban renewal tax increment financing and grant funds.

(13) Construction Commitments

Construction commitments at June 30, 2015 totaled \$1,504,412, which will be paid as work on the projects progress. These projects will be funded through note proceeds, grants and local funds on hand.

(14) Industrial Development Revenue Bonds

During the year, the City issued a total of \$1,400,000 of industrial development revenue bonds under the provisions of Chapter 419 of the Code of Iowa. The bonds and related interest are payable solely from the rents payable by tenants on the properties constructed and the bond principal and interest do not constitute liabilities of the City.

(15) Subsequent Events

In July 2015, the City authorized the issuance of \$1,035,000 of general obligation capital loan notes to pay the costs of street improvements and equipping the police department and Library. The notes are payable from a continuing annual levy of property tax against all taxable property in the City.

In July 2015, a dispute between the City and Synergy Contracting, LLC regarding a contract for a sewer utility project completed in fiscal year 2012 went to arbitration. The arbitrator's award was in favor of Synergy Contracting, LLC and the City was ordered to pay \$1,055,724, plus interest at 2.28% per annum from February 14, 2014 through the date of payment. In September 2015, the City paid \$500,000 from the Enterprise, Sewer Fund in partial satisfaction of the award. The remaining balance will be paid from proceeds of a sewer revenue note issuance.

In September 2015, the City authorized the issuance of \$675,000 of sewer revenue capital loan notes to provide funds to pay the remaining balance of the arbitration award to Synergy Contracting, LLC.

In October 2015, the City entered into a development agreement to provide a maximum of \$230,000 of economic development grants to the developer in exchange for certain improvements to real property located in the Gateway Urban Renewal Area. The grant is payable from future incremental property tax collected in the Special Revenue, Urban Renewal Tax Increment Fund.

In January 2016 the City authorized the issuance of \$1,400,000 of sewer revenue refunding capital loan notes to pay the costs of refunding sewer revenue capital loan notes dated May 28, 2008. The refunding notes are payable from future earnings of the Enterprise, Sewer Fund.

City of Carlisle

Other Information

City of Carlisle
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances -
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Other Information

Year ended June 30, 2015

| | Governmental Funds Actual | Proprietary Funds Actual | Less Funds not Required to be Budgeted |
|---|---------------------------------|--------------------------------|---|
| Receipts: | | | |
| Property tax | \$ 1,732,611 | - | - |
| Tax increment financing | 30,548 | - | - |
| Other city tax | 22,717 | - | - |
| Licenses and permits | 94,475 | - | - |
| Use of money and property | 23,080 | 21,759 | 74 |
| Intergovernmental | 1,227,585 | 4,540 | - |
| Charges for service | 874,974 | 3,685,063 | - |
| Special assessments | 337,987 | - | - |
| Miscellaneous | 235,996 | 19,916 | 64,162 |
| Total receipts | 4,579,973 | 3,731,278 | 64,236 |
| Disbursements: | | | |
| Public safety | 1,131,832 | 14,139 | 54,078 |
| Public works | 584,402 | 3,587 | 3,587 |
| Health and social services | - | - | - |
| Culture and recreation | 460,299 | 292 | 24,654 |
| Community and economic development | 132,086 | - | - |
| General government | 153,487 | 3,984 | 3,984 |
| Debt service | 712,775 | - | - |
| Capital projects | 1,543,010 | - | - |
| Business type activities | - | 3,593,243 | 19,834 |
| Total disbursements | 4,717,891 | 3,615,245 | 106,137 |
| Excess (deficiency) of receipts over (under) disbursements | (137,918) | 116,033 | (41,901) |
| Other financing sources, net | 59,100 | (59,100) | - |
| Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses | (78,818) | 56,933 | (41,901) |
| Balances beginning of year | 1,718,673 | 2,030,127 | 119,567 |
| Balances end of year | \$ 1,639,855 | 2,087,060 | 77,666 |

See accompanying independent auditor's report.

| Total | Budgeted Amounts | | Final to Total Variance |
|-----------|------------------|-----------|-------------------------------|
| | Original | Final | |
| 1,732,611 | 1,737,999 | 1,737,999 | (5,388) |
| 30,548 | 30,331 | 30,331 | 217 |
| 22,717 | 19,058 | 19,058 | 3,659 |
| 94,475 | 61,350 | 79,350 | 15,125 |
| 44,765 | 38,142 | 38,142 | 6,623 |
| 1,232,125 | 2,339,733 | 2,351,539 | (1,119,414) |
| 4,560,037 | 4,297,390 | 4,312,390 | 247,647 |
| 337,987 | 130,005 | 130,005 | 207,982 |
| 191,750 | 192,725 | 197,748 | (5,998) |
| 8,247,015 | 8,846,733 | 8,896,562 | (649,547) |
| 1,091,893 | 1,105,841 | 1,160,269 | 68,376 |
| 584,402 | 659,851 | 659,851 | 75,449 |
| - | 2,500 | 2,500 | 2,500 |
| 435,937 | 509,525 | 512,713 | 76,776 |
| 132,086 | 35,640 | 109,740 | (22,346) |
| 153,487 | 134,960 | 154,273 | 786 |
| 712,775 | 741,545 | 741,545 | 28,770 |
| 1,543,010 | 1,208,500 | 1,708,500 | 165,490 |
| 3,573,409 | 3,860,515 | 3,948,515 | 375,106 |
| 8,226,999 | 8,258,877 | 8,997,906 | 770,907 |
| 20,016 | 587,856 | (101,344) | 121,360 |
| - | - | - | - |
| 20,016 | 587,856 | (101,344) | 121,360 |
| 3,629,233 | 3,178,862 | 3,178,862 | 450,371 |
| 3,649,249 | 3,766,718 | 3,077,518 | 571,731 |

City of Carlisle

Notes to Other Information – Budgetary Reporting

June 30, 2015

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the blended component units and the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$739,029. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2015, disbursements exceeded the amount budgeted in the community and economic development function.

City of Carlisle

Schedule of the City's Proportionate Share of the Net Pension Liability

Iowa Public Employees' Retirement System
Last Fiscal Year*
(In Thousands)

Other Information

| | <u>2015</u> |
|---|-------------|
| City's proportion of the net pension liability | 0.000098% |
| City's proportionate share of the net pension liability | \$ 388 |
| City's covered-employee payroll | \$ 1,145 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 33.89% |
| Plan fiduciary net position as a percentage of the total pension liability | 87.61% |

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying independent auditor's report.

City of Carlisle
 Schedule of City Contributions
 Iowa Public Employees' Retirement System
 Last 10 Fiscal Years
 (In Thousands)

Other Information

| | <u>2015</u> | <u>2014</u> | <u>2013</u> | <u>2012</u> |
|---|--------------|--------------|--------------|-------------|
| Statutorily required contribution | \$ 124 | 116 | 103 | 95 |
| Contributions in relation to the statutorily required contribution | <u>(124)</u> | <u>(116)</u> | <u>(103)</u> | <u>(95)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| County's covered-employee payroll | \$ 1,320 | 1,145 | 1,120 | 1,105 |
| Contributions as a percentage of covered-employee payroll | 9.39% | 10.13% | 9.20% | 8.60% |

*City's covered-employee payroll information was not readily available. Therefore, contributions as a percentage of covered employee payroll could not be calculated.

See accompanying independent auditor's report.

| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-------|-------|------|------|------|------|
| 80 | 73 | 70 | 64 | 59 | 60 |
| (80) | (73) | (70) | (64) | (59) | (60) |
| - | - | - | - | - | - |
| 1,032 | 1,024 | * | * | * | * |
| 7.75% | 7.13% | * | * | * | * |

City of Carlisle

Notes to Other Information – Pension Liability

Year ended June 30, 2015

Changes of benefit terms:

Legislation passed in 2010 modified benefit terms for current Regular members. The definition of final average salary changed from the highest three to the highest five years of covered wages. The vesting requirement changed from four years of service to seven years. The early retirement reduction increased from 3% per year measured from the member's first unreduced retirement age to a 6% reduction for each year of retirement before age 65.

In 2008, legislative action transferred four groups – emergency medical service providers, county jailers, county attorney investigators, and National Guard installation security officers – from Regular membership to the protection occupation group for future service only.

Benefit provisions for sheriffs and deputies were changed in the 2004 legislative session. The eligibility for unreduced retirement benefits was lowered from age 55 by one year each July 1 (beginning in 2004) until it reached age 50 on July 1, 2008. The years of service requirement remained at 22 or more. Their contribution rates were also changed to be shared 50-50 by the employee and employer, instead of the previous 40-60 split.

Changes of assumptions:

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25% to 3.00%.
- Decreased the assumed rate of interest on member accounts from 4.00% to 3.75% per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20-year period.

The 2010 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted retiree mortality assumptions.
- Modified retirement rates to reflect fewer retirements.
- Lowered disability rates at most ages.
- Lowered employment termination rates.
- Generally increased the probability of terminating members receiving a deferred retirement benefit.
- Modified salary increase assumptions based on various service duration.

The 2007 valuation adjusted the application of the entry age normal cost method to better match projected contributions to the projected salary stream in the future years. It also included in the calculation of the UAL amortization payments the one-year lag between the valuation date and the effective date of the annual actuarial contribution rate.

The 2006 valuation implemented the following refinements as a result of a quadrennial experience study:

- Adjusted salary increase assumptions to service based assumptions.
- Decreased the assumed interest rate credited on employee contributions from 4.25% to 4.00%.
- Lowered the inflation assumption from 3.50% to 3.25%.
- Lowered disability rates for sheriffs, deputies and protection occupation members.

City of Carlisle

Supplementary Information

City of Carlisle

Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds

As of and for the year ended June 30, 2015

| | Employee Benefits | Gifts and Bequests | Special Urban Renewal Tax Increment |
|--|----------------------|--------------------------|---|
| Receipts: | | | |
| Property tax | \$ 120,459 | - | - |
| Tax increment financing | - | - | 30,548 |
| Other City tax | 937 | - | - |
| Intergovernmental | 1,777 | - | - |
| Miscellaneous | - | - | - |
| Total receipts | 123,173 | - | 30,548 |
| Disbursements: | | | |
| Operating: | | | |
| Public safety | - | - | - |
| Culture and recreation | - | - | - |
| Community and economic development | - | - | 86,311 |
| Total disbursements | - | - | 86,311 |
| Excess (deficiency) of receipts over (under) disbursements | 123,173 | - | (55,763) |
| Other financing sources (uses): | | | |
| Transfers in | - | - | 59,100 |
| Transfers out | (123,173) | - | - |
| Total other financing sources (uses) | (123,173) | - | 59,100 |
| Change in cash balances | - | - | 3,337 |
| Cash balances beginning of year | - | 1,350 | (26,836) |
| Cash balances end of year | \$ - | 1,350 | (23,499) |
| Cash Basis Fund Balances | | | |
| Nonspendable - Cemetary perpetual care | \$ - | - | - |
| Restricted: | | | |
| Library | - | - | - |
| Fire | - | - | - |
| Other purposes | - | 1,350 | - |
| Unassigned | - | - | (23,499) |
| Total cash basis fund balances | \$ - | 1,350 | (23,499) |

See accompanying independent auditor's report.

| Revenue | | | Permanent | | |
|--|-----------------------------------|---|-------------------------------|--|-----------|
| Friends of the Carlisle Library | Carlisle Library Foundation | Carlisle Firemen's Enterprises Corporation | Cemetery Perpetual Care | | Total |
| - | - | - | - | | 120,459 |
| - | - | - | - | | 30,548 |
| - | - | - | - | | 937 |
| - | - | - | - | | 1,777 |
| 11,961 | 17,487 | 15,011 | 1,125 | | 45,584 |
| 11,961 | 17,487 | 15,011 | 1,125 | | 199,305 |
| - | - | 39,939 | - | | 39,939 |
| 10,532 | 13,830 | - | - | | 24,362 |
| - | - | - | - | | 86,311 |
| 10,532 | 13,830 | 39,939 | - | | 150,612 |
| 1,429 | 3,657 | (24,928) | 1,125 | | 48,693 |
| - | - | - | - | | 59,100 |
| - | - | - | - | | (123,173) |
| - | - | - | - | | (64,073) |
| 1,429 | 3,657 | (24,928) | 1,125 | | (15,380) |
| 8,487 | 17,758 | 69,432 | 44,647 | | 114,838 |
| 9,916 | 21,415 | 44,504 | 45,772 | | 99,458 |
| - | - | - | 45,772 | | 45,772 |
| 9,916 | 21,415 | - | - | | 31,331 |
| - | - | 44,504 | - | | 44,504 |
| - | - | - | - | | 1,350 |
| - | - | - | - | | (23,499) |
| 9,916 | 21,415 | 44,504 | 45,772 | | 99,458 |

City of Carlisle
 Schedule of Indebtedness
 Year ended June 30, 2015

| Obligation | Date of Issue | Interest Rates | Amount Originally Issued |
|---|---------------|----------------|--------------------------|
| General obligation capital loan notes: | | | |
| General obligation | Oct 14, 2009 | 1.30-3.70% | \$ 1,020,000 |
| General obligation | May 10, 2011 | 1.50-3.65 | 2,300,000 |
| General obligation | May 15, 2012 | 0.55-2.20 | 1,335,000 |
| General obligation | Aug 6, 2013 | 2.00-2.50 | 620,000 |
| Total | | | |
| Revenue capital loan notes: | | | |
| Sewer | May 28, 2008 | 2.65-4.20% | \$ 2,145,000 |
| Sewer subordinate RCLN-1 | Oct 26, 2011 | 3.75 | 700,000 |
| Sewer subordinate RCLN-2 | Oct 26, 2011 | 3.75 | 58,000 |
| Sewer subordinate RCLN-3 | Oct 26, 2011 | 1.25-2.50 | 268,000 |
| Electric | Oct 23, 2012 | 1.25-2.50 | 995,000 |
| Urban renewal tax increment financing (TIF) | Apr 8, 2014 | 0.00 | 145,000 |
| Total | | | |

See accompanying independent auditor's report.

| Balance Beginning of Year | Issued During Year | Redeemed During Year | Balance End of Year | Interest Paid |
|---------------------------------|--------------------------|----------------------------|---------------------------|------------------|
| 555,000 | - | 105,000 | 450,000 | 17,580 |
| 1,735,000 | - | 255,000 | 1,480,000 | 46,153 |
| 1,185,000 | - | 145,000 | 1,040,000 | 17,255 |
| 620,000 | - | 100,000 | 520,000 | 12,452 |
| \$ 4,095,000 | - | 605,000 | 3,490,000 | 93,440 |
| 1,685,000 | - | 155,000 | 1,530,000 | 66,860 |
| 691,390 | - | 8,933 | 682,457 | 25,927 |
| 57,286 | - | 741 | 56,545 | 2,148 |
| 241,649 | - | 4,667 | 236,982 | 7,249 |
| 900,000 | - | 100,000 | 800,000 | 16,350 |
| 145,000 | - | 23,418 | 121,582 | - |
| \$ 3,720,325 | - | 292,759 | 3,427,566 | 118,534 |

City of Carlisle

Note Maturities

June 30, 2015

| Year Ending June 30, | General Obligation | | | |
|----------------------------|---------------------|-------------------|---------------------|---------------------|
| | Issued Oct 14, 2009 | | Issued May 10, 2011 | |
| | Interest Rates | Amount | Interest Rates | Amount |
| 2016 | 2.90% | \$ 110,000 | 2.10% | \$ 260,000 |
| 2017 | 3.20 | 115,000 | 2.35 | 265,000 |
| 2018 | 3.40 | 115,000 | 2.70 | 215,000 |
| 2019 | 3.70 | 110,000 | 2.90 | 210,000 |
| 2020 | | - | 3.20 | 175,000 |
| 2021 | | - | 3.40 | 180,000 |
| 2022 | | - | 3.65 | 175,000 |
| Total | | <u>\$ 450,000</u> | | <u>\$ 1,480,000</u> |

See accompanying independent auditor's report.

| Capital Loan Notes | | | | | |
|---------------------|---------------------|--|-----------------------|-------------------|------------------|
| Issued May 15, 2012 | | | Issued August 6, 2013 | | |
| Interest | | | Interest | | |
| Rates | Amount | | Rates | Amount | Total |
| 0.90% | \$ 145,000 | | 2.00% | \$ 100,000 | 615,000 |
| 1.10 | 145,000 | | 2.00 | 105,000 | 630,000 |
| 1.30 | 145,000 | | 2.00 | 105,000 | 580,000 |
| 1.55 | 145,000 | | 2.00 | 105,000 | 570,000 |
| 1.75 | 150,000 | | 2.05 | 105,000 | 430,000 |
| 2.00 | 155,000 | | | - | 335,000 |
| 2.20 | 155,000 | | | - | 330,000 |
| | <u>\$ 1,040,000</u> | | | <u>\$ 520,000</u> | <u>3,490,000</u> |

City of Carlisle

Note Maturities

June 30, 2015

| Year Ending June 30, | Sewer | | Sewer Subordinate RCLN-1 | | Revenue Capital Sewer Subordinate RCLN-2 | |
|----------------------------|---------------------|---------------------|--------------------------|-------------------|---|------------------|
| | Issued May 28, 2008 | | Issued Oct 26, 2011 | | Issued Oct 26, 2011 | |
| | Interest Rates | Amount | Interest Rates | Amount | Interest Rates | Amount |
| 2016 | 3.70% | \$ 160,000 | 3.75% | \$ 9,268 | 3.75% | \$ 769 |
| 2017 | 3.80 | 170,000 | 3.75 | 9,615 | 3.75 | 797 |
| 2018 | 3.90 | 175,000 | 3.75 | 9,976 | 3.75 | 827 |
| 2019 | 4.00 | 185,000 | 3.75 | 10,350 | 3.75 | 858 |
| 2020 | 4.05 | 195,000 | 3.75 | 10,738 | 3.75 | 890 |
| 2021 | 4.10 | 205,000 | 3.75 | 11,141 | 3.75 | 924 |
| 2022 | 4.15 | 215,000 | 3.75 | 11,559 | 3.75 | 959 |
| 2023 | 4.20 | 225,000 | 3.75 | 11,992 | 3.75 | 994 |
| 2024 | | - | 3.75 | 12,442 | 3.75 | 1,032 |
| 2025 | | - | 3.75 | 12,908 | 3.75 | 1,070 |
| 2026 | | - | 3.75 | 13,393 | 3.75 | 1,111 |
| 2027 | | - | 3.75 | 13,895 | 3.75 | 1,152 |
| 2028 | | - | 3.75 | 14,416 | 3.75 | 1,195 |
| 2029 | | - | 3.75 | 14,956 | 3.75 | 1,240 |
| 2030 | | - | 3.75 | 15,517 | 3.75 | 1,287 |
| 2031 | | - | 3.75 | 16,099 | 3.75 | 1,335 |
| 2032 | | - | 3.75 | 16,703 | 3.75 | 1,385 |
| 2033 | | - | 3.75 | 17,329 | 3.75 | 1,437 |
| 2034 | | - | 3.75 | 17,979 | 3.75 | 1,491 |
| 2035 | | - | 3.75 | 18,653 | 3.75 | 1,547 |
| 2036 | | - | 3.75 | 19,353 | 3.75 | 1,605 |
| 2037 | | - | 3.75 | 20,078 | 3.75 | 1,665 |
| 2038 | | - | 3.75 | 20,831 | 3.75 | 1,728 |
| 2039 | | - | 3.75 | 21,613 | 3.75 | 1,792 |
| 2040 | | - | 3.75 | 22,423 | 3.75 | 1,860 |
| 2041 | | - | 3.75 | 23,264 | 3.75 | 1,929 |
| 2042 | | - | 3.75 | 24,136 | 3.75 | 2,002 |
| 2043 | | - | 3.75 | 25,041 | 3.75 | 2,077 |
| 2044 | | - | 3.75 | 25,981 | 3.75 | 2,155 |
| 2045 | | - | 3.75 | 26,955 | 3.75 | 2,235 |
| 2046 | | - | 3.75 | 27,966 | 3.75 | 2,319 |
| 2047 | | - | 3.75 | 29,014 | 3.75 | 2,406 |
| 2048 | | - | 3.75 | 30,102 | 3.75 | 2,496 |
| 2049 | | - | 3.75 | 31,231 | 3.75 | 2,590 |
| 2050 | | - | 3.75 | 32,402 | 3.75 | 2,687 |
| 2051 | | - | 3.75 | 33,138 | 3.75 | 2,699 |
| Total | | <u>\$ 1,530,000</u> | | <u>\$ 682,457</u> | | <u>\$ 56,545</u> |

See accompanying independent auditor's report.

| Loan Notes | | | | | | | |
|--------------------------|-------------------|---------------------|-------------------|--------------------|-------------------|-------|------------------|
| Sewer Subordinate RCLN-3 | | Electric | | Urban Renewal TIF | | | |
| Issued Oct 26, 2011 | | Issued Oct 23, 2012 | | Issued Apr 8, 2014 | | | |
| Interest | | Interest | | Interest | | Total | |
| Rates | Amount | Rates | Amount | Rates | Amount | | |
| 3.00% | \$ 4,807 | 1.25% | \$ 100,000 | 0.00% | \$ 24,038 | | 298,882 |
| 3.00 | 4,951 | 1.50 | 100,000 | 0.00 | 28,303 | | 313,666 |
| 3.00 | 5,099 | 1.50 | 100,000 | 0.00 | 30,153 | | 321,055 |
| 3.00 | 5,252 | 1.75 | 100,000 | 0.00 | 32,003 | | 333,463 |
| 3.00 | 5,410 | 2.00 | 100,000 | 0.00 | 7,085 | | 319,123 |
| 3.00 | 5,572 | 2.20 | 100,000 | | - | | 322,637 |
| 3.00 | 5,739 | 2.40 | 100,000 | | - | | 333,257 |
| 3.00 | 5,911 | 2.50 | 100,000 | | - | | 343,897 |
| 3.00 | 6,089 | | - | | - | | 19,563 |
| 3.00 | 6,271 | | - | | - | | 20,249 |
| 3.00 | 6,459 | | - | | - | | 20,963 |
| 3.00 | 6,653 | | - | | - | | 21,700 |
| 3.00 | 6,853 | | - | | - | | 22,464 |
| 3.00 | 7,058 | | - | | - | | 23,254 |
| 3.00 | 7,270 | | - | | - | | 24,074 |
| 3.00 | 7,488 | | - | | - | | 24,922 |
| 3.00 | 7,713 | | - | | - | | 25,801 |
| 3.00 | 7,944 | | - | | - | | 26,710 |
| 3.00 | 8,183 | | - | | - | | 27,653 |
| 3.00 | 8,428 | | - | | - | | 28,628 |
| 3.00 | 8,681 | | - | | - | | 29,639 |
| 3.00 | 8,941 | | - | | - | | 30,684 |
| 3.00 | 9,210 | | - | | - | | 31,769 |
| 3.00 | 9,486 | | - | | - | | 32,891 |
| 3.00 | 9,771 | | - | | - | | 34,054 |
| 3.00 | 10,064 | | - | | - | | 35,257 |
| 3.00 | 10,366 | | - | | - | | 36,504 |
| 3.00 | 10,677 | | - | | - | | 37,795 |
| 3.00 | 10,997 | | - | | - | | 39,133 |
| 3.00 | 11,327 | | - | | - | | 40,517 |
| 3.00 | 8,312 | | - | | - | | 38,597 |
| | - | | - | | - | | 31,420 |
| | - | | - | | - | | 32,598 |
| | - | | - | | - | | 33,821 |
| | - | | - | | - | | 35,089 |
| | - | | - | | - | | 35,837 |
| | <u>\$ 236,982</u> | | <u>\$ 800,000</u> | | <u>\$ 121,582</u> | | <u>3,427,566</u> |

City of Carlisle

Schedule of Receipts By Source and Disbursements By Function –
All Governmental Funds

For the Last Ten Years

| | 2015 | 2014 | 2013 | 2012 |
|------------------------------------|---------------------|------------------|------------------|------------------|
| Receipts: | | | | |
| Property tax | \$ 1,732,611 | 1,659,847 | 1,581,797 | 1,515,682 |
| Tax increment financing | 30,548 | 2,082 | 16,566 | 23,089 |
| Other city tax | 22,717 | 20,815 | 21,437 | 20,344 |
| Licenses and permits | 94,475 | 120,990 | 62,733 | 59,968 |
| Use of money and property | 23,080 | 20,944 | 23,703 | 25,568 |
| Intergovernmental | 1,630,621 | 935,267 | 508,237 | 884,771 |
| Charges for service | 471,938 | 415,775 | 398,089 | 372,019 |
| Special assessments | 337,987 | 224,218 | 119,382 | - |
| Miscellaneous | 235,996 | 115,381 | 77,826 | 69,980 |
| Total | \$ 4,579,973 | 3,515,319 | 2,809,770 | 2,971,421 |
| Disbursements: | | | | |
| Operating: | | | | |
| Public safety | \$ 1,131,832 | 1,581,727 | 932,856 | 818,116 |
| Public works | 584,402 | 572,488 | 608,552 | 520,163 |
| Health and social services | - | - | 1,278 | 45 |
| Culture and recreation | 460,299 | 515,767 | 475,687 | 498,457 |
| Community and economic development | 132,086 | 293,260 | 11,100 | 14,177 |
| General government | 153,487 | 188,513 | 205,139 | 154,724 |
| Debt service | 712,775 | 680,017 | 566,361 | 513,452 |
| Capital projects | 1,543,010 | 900,988 | 595,145 | 1,800,137 |
| Total | \$ 4,717,891 | 4,732,760 | 3,396,118 | 4,319,271 |

See accompanying independent auditor's report.

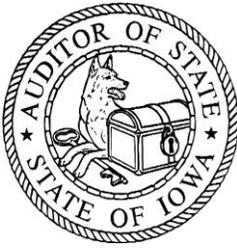
| 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|------------------|------------------|------------------|------------------|------------------|------------------|
| 1,454,014 | 1,387,198 | 1,325,750 | 1,234,492 | 1,224,101 | 1,173,326 |
| - | - | 203 | 24,629 | - | 22,886 |
| 19,440 | 14,371 | 14,523 | 14,614 | 15,994 | 16,809 |
| 43,148 | 59,735 | 86,248 | 41,854 | 37,643 | 99,885 |
| 31,510 | 32,261 | 36,386 | 51,838 | 59,702 | 43,293 |
| 1,271,783 | 383,822 | 652,675 | 364,052 | 398,418 | 375,991 |
| 381,035 | 344,293 | 389,512 | 358,083 | 355,109 | 355,014 |
| 80,000 | 7,342 | 15,143 | 13,728 | 17,539 | 22,153 |
| 80,661 | 185,029 | 105,641 | 123,907 | 279,504 | 291,774 |
| <u>3,361,591</u> | <u>2,414,051</u> | <u>2,626,081</u> | <u>2,227,197</u> | <u>2,388,010</u> | <u>2,401,131</u> |
| 777,640 | 791,354 | 827,433 | 772,908 | 604,041 | 578,902 |
| 495,091 | 531,576 | 513,270 | 551,279 | 474,361 | 443,500 |
| - | - | 338 | 2,265 | 2,265 | 2,357 |
| 466,892 | 457,734 | 431,013 | 528,028 | 395,143 | 389,963 |
| 13,272 | 21,227 | 20,727 | 10,683 | 29,545 | 24,301 |
| 112,494 | 135,459 | 203,105 | 117,073 | 99,098 | 179,024 |
| 483,634 | 477,535 | 451,566 | 437,228 | 443,688 | 438,610 |
| <u>1,457,253</u> | <u>543,200</u> | <u>287,689</u> | <u>59,358</u> | <u>71,428</u> | <u>266,664</u> |
| <u>3,806,276</u> | <u>2,958,085</u> | <u>2,735,141</u> | <u>2,478,822</u> | <u>2,119,569</u> | <u>2,323,321</u> |

City of Carlisle
 Schedule of Expenditures of Federal Awards
 Year ended June 30, 2015

| Grantor / Program | CFDA Number | Agency Pass-through Number | Program Expenditures |
|---|----------------|----------------------------------|-------------------------|
| Indirect: | | | |
| U.S. Department of Justice: | | | |
| Iowa Department of Public Safety: | | | |
| Governor's Office of Drug Control Policy: | | 10-Hot Spots | |
| Public Safety Partnership and Community Policy Grants | 16.710 | Interdiction-18 | \$ 1,898 |
| U.S. Department of Transportation: | | | |
| Iowa Department of Transportation: | | | |
| Highway Planning and Construction | 20.205 | EDP-1105(607)-7Y-91 | 1,017,690 |
| Iowa Department of Public Safety: | | | |
| Alcohol Impaired Driving Countermeasures Incentive Grants | 20.601 | 14-405D-M60T | 4,673 |
| Total | | | <u>\$ 1,024,261</u> |

Basis of Presentation – the Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Carlisle and is presented on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and
Members of the City Council:

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Carlisle, Iowa, as of and for the year ended June 30, 2015, and the related Notes to Financial Statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 25, 2016. Our report expressed unmodified opinions on the financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than U.S. generally accepted accounting principles.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Carlisle's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Carlisle's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Carlisle's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified deficiencies in internal control we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City of Carlisle's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in the accompanying Schedule of Findings and Questioned Costs as items II-A-15 through II-C-15 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item II-D-15 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Carlisle's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters which are described in the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2015 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Carlisle's Responses to the Findings

The City of Carlisle's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The City of Carlisle's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Carlisle during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 25, 2016

**Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133**

City of Carlisle



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report on Compliance
for Each Major Federal Program and on Internal Control over Compliance
Required by OMB Circular A-133

To the Honorable Mayor and
Members of the City Council:

Report on Compliance for the Major Federal Program

We have audited the City of Carlisle, Iowa's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on the City of Carlisle's major federal program for the year ended June 30, 2015. The City of Carlisle's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the City of Carlisle's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Carlisle's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Carlisle's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Carlisle complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

The management of the City of Carlisle is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Carlisle's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures appropriate in

the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Carlisle's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.


MARY MOSIMAN, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

January 25, 2016

City of Carlisle
Schedule of Findings and Questioned Costs
Year ended June 30, 2015

Part I: Summary of the Independent Auditor's Results:

- (a) Unmodified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than U.S. generally accepted accounting principles.
- (b) A significant deficiency and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) No material weaknesses in internal control over the major program were noted.
- (e) An unmodified opinion was issued on compliance with requirements applicable to the major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) The major program was CFDA Number 20.205 – Highway Planning and Construction.
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) The City of Carlisle did not qualify as a low-risk auditee.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part II: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

II-A-15 Segregation of Duties – One important element in designing internal control to safeguard assets and reasonably ensure the reliability of the accounting records is the concept of segregation of duties. When duties are properly segregated, the activities of one employee act as a check of those of another. During the audit, we identified the following incompatible duties:

- (1) Bank reconciliations are not performed by an individual who is not involved in the cash receipt or disbursement functions.
- (2) The individual responsible for detailed record keeping of investments is also the custodian of the investments and reconciles the investment ledgers.
- (3) Responsibilities for collection, deposit preparation and reconciliation functions are not segregated from recording and accounting for receipts.
- (4) Mail is opened by an individual who is also responsible for recording and accounting for receipts. Also, an initial listing of receipts received in the mail is not prepared by the mail opener.
- (5) The individual approving credit card purchases also has access to credit cards.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances. The City should utilize current personnel, including elected officials, to provide additional control through review of financial transactions, reconciliations and reports. The mail should be opened by a person other than accounting personnel and a listing of receipts received in the mail should be prepared, at least on a test basis. The listing should be compared to the receipt records by an independent person.

Response –

- (1) The City has limited personnel, but will continue to improve the segregation of duties as much as possible. The City will always have two people review bank reconciliations.
- (2) The City has limited personnel, but will continue to improve the segregation of duties as much as possible. The City will always have two people review investment reconciliations.
- (3) The City has limited personnel, but will continue to improve the segregation of duties as much as possible.
- (4) The City will have someone not responsible for inputting the payments open the mail and make a listing of the mail and drop box.
- (5) The City has limited personnel, but will continue to improve the segregation of duties as much as possible. The City will always have two people balance and review all credit card transactions.

Conclusion – Response accepted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-B-15 Segregation of Duties - Component Units – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible.

For the component units of the City (i.e. the Friends of the Carlisle Library, the Library Foundation and the Carlisle Firemen’s Enterprises Corporation), the responsibilities for collection, deposit preparation, cash disbursement and bank reconciliation functions are not properly segregated. These duties are handled by one individual for each component unit. Additionally, there is no independent review of these duties.

In addition to the lack of segregation of duties, the following were noted:

- (1) For the Friends of the Carlisle Library, there is no independent review of bank reconciliations and/or bank statements.
- (2) For the Carlisle Firemen’s Enterprises Corporation, there is no independent review of bank reconciliations and/or bank statements.
- (3) For the Carlisle Firemen’s Enterprises Corporation, while the disbursements appeared to be for proper purposes, nearly one third of the disbursements were not supported by original invoices or other documentation.
- (4) For the Library Foundation, there is no independent review of bank reconciliations and/or bank statements.

Recommendation – We realize segregation of duties is difficult with a limited number of individuals. However, the Friends of the Carlisle Library, the Library Foundation and the Carlisle Firemen’s Enterprises Corporation should review their operating procedures to obtain the maximum internal control possible under the circumstances utilizing currently available personnel, including Board members. All disbursements should be supported by an original invoice or contract.

Response – The Fireman’s Enterprises, Friends of the Library and Library Foundation record keepers have been notified of these recommendations.

Conclusion – Response accepted.

II-C-15 Financial Reporting – Although the City properly budgeted payment of principal and interest on its sewer and electric revenue capital loan notes from the Enterprise, Sewer and Electric Funds, respectively, and the business-type activities function, the payments were recorded to the debt service function. Transfers from the Enterprise, Sewer and Electric Funds were subsequently made to reimburse the Debt Service Fund. In accordance with the Uniform Chart of Accounts for Iowa City Governments, water and electric services are accounted for in enterprise funds and are classified as “business type activities”. All expenses related to these funds, including principal and interest on revenue debt, should be paid from the Enterprise Funds and the business type activities function, consistent with how the payments were budgeted. Adjustments were subsequently made by the City to properly report these amounts in the financial statements.

Recommendation – The City should implement procedures to ensure all sewer and electric revenue note principal and interest is paid from the respective Enterprise Fund and the business type activities function.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

II-D-15 Lack of Written Policies and Procedures – While the City has adopted a written disaster recovery plan, certain items were not included in the plan. Specifically, the plan does not include an inventory of all essential hardware components and software applications, a requirement essential supplies, relevant accounting manuals and other documentation, current system backups and a copy of the disaster recovery plan be located offsite and does not contain a requirement to test the plan annually.

Recommendation – The City should include the above items in its written disaster recovery plan.

Response – The City will be working to improve the disaster recovery plan to include these items.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part III: Findings and Questioned Costs For Federal Awards:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses in internal control over the major program were noted.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-15 Certified Budget – Disbursements during the year ended June 30, 2015 exceeded the amount budgeted in the community and economic development function. Chapter 384.20 of the Code of Iowa states, in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – In the future, the budget will be amended as needed.

Conclusion – Response accepted.

IV-B-15 Questionable Disbursements – No disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General’s opinion dated April 25, 1979 were noted.

IV-C-15 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

IV-D-15 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

| Name, Title and Business Connection | Transaction Description | Amount |
|-------------------------------------|--------------------------|----------|
| Ryan Rice, Part-time EMT | Repairs on City building | \$ 2,040 |

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the transactions with the part-time EMT may represent a conflict of interest since total transactions were more than \$1,500 during the fiscal year and the transactions were not competitively bid.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – Future transactions above the established limits will be competitively bid.

Conclusion – Response acknowledged. The City should also consult legal counsel to determine the disposition of this matter.

IV-E-15 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.

IV-F-15 City Council Minutes – No transactions were found that we believe should have been approved in the City Council minutes but were not.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Although minutes of City Council proceedings were published, they were not always published within fifteen days and did not include the total disbursements from each fund, a list of all claims allowed, including the purpose of the claim, or a summary of all receipts as required by Chapter 372.13(6) of the Code of Iowa.

Recommendation – The City should publish minutes within fifteen days as required by Chapter 372.13(6) of the Code of Iowa. The City should also publish the total disbursements from each fund, a listing of all claims allowed, including the purpose of the claim, and a summary of all receipts, as required.

Response – The City continues to strive to meet this regulation, including publishing within the 15 day period. However, with the deadline for articles to be to the newspaper is almost a week before it is published, making this a challenge at times.

Conclusion – Response accepted.

IV-G-15 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa and the City’s investment policy were noted.

IV-H-15 Revenue Notes – Except as follows, no instances of non-compliance with the revenue note resolutions were noted.

During the year ended June 30, 2015, transfers to the sewer revenue note sinking account were not sufficient to make the required principal and interest payments on the notes when due.

At June 30, 2015, the City’s electric reserve account was not maintained at an amount equal to the reserve account requirement required by the provisions of the electric revenue capital loan note resolution. Additionally, monthly transfers to the electric reserve account were not made.

The City has not complied with the electric revenue capital loan note provision which states the rates must be sufficient to produce net revenues not less than 125% of the principal and interest requirements.

Recommendation – The City should make required transfers to the electric reserve and sewer revenue sinking accounts and ensure the electric reserve account balance is maintained at the required amount. The City should ensure electric rates are sufficient to produce net revenues of at least 125% of the principal and interest requirements.

Response – The City of Carlisle implemented an average electric rate increase of 21% in January 2015. The full effect of this increase was not in place at June 30, 2015.

Conclusion – Response acknowledged. The City should also ensure required transfers to the electric and sewer sinking accounts are made and the electric reserve account balance is maintained at the required amount.

City of Carlisle

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

IV-I-15 Financial Condition – At June 30, 2015, the Special Revenue, Urban Renewal Tax Increment Fund and the Capital Projects Fund had deficit balances of \$23,499 and \$69,938, respectively.

Recommendation – The City should investigate alternatives to eliminate these deficits to return the funds to a sound financial position.

Response – These deficits will be corrected as TIF receipts are received from the county and grant funds are received from the State.

Conclusion – Response accepted.

IV-J-15 Tax Increment Financing Fund Disbursements – Chapters 403.19(10)(b) and 403.22 of the Code of Iowa provide moneys in the Special Revenue, Urban Renewal Tax Increment (TIF) Fund shall not be used for any purpose except for the payment of loans, advances, indebtedness or bonds which qualify for payment from the TIF Fund or to provide allowable low-to-moderate income assistance.

During the year ended June 30, 2015, the City paid \$193 of legal fees from the TIF Fund and, in prior years, paid \$25,173 of legal fees from the TIF Fund. These costs do not represent TIF obligations and, accordingly, are not an allowable use of tax increment financing receipts. The City certified these costs to the County Auditor as a TIF obligation. However, in accordance with Chapter 403.19(10)(b) of the Code of Iowa, the City may not borrow from the TIF Fund.

Recommendation – In the future, if the City incurs disbursements for a qualified TIF project, the City should pay these costs from an allowable fund, such as the General Fund, and may approve an advance (interfund loan) from the General Fund to the TIF Fund and certify the advance to the County Auditor as a TIF obligation for future collection of TIF receipts and reimbursement to the General Fund to repay the advance.

Response – In the future the City will take appropriate steps to correctly incur TIF expenses.

Conclusion – Response accepted.

IV-K-15 Annual Urban Renewal Report – The City's receipts, disbursements and balances of the Special Revenue, Urban Renewal Tax Increment Fund reported on the Levy Authority Summary did not agree with the City's general ledger. Also, the amount reported by the City as outstanding TIF debt was understated by \$1,970,173.

Recommendation – The City should ensure the cash balances and debt amounts reported on the Levy Authority Summary agree with the City's records.

Response – The report will be corrected accordingly in future reporting years.

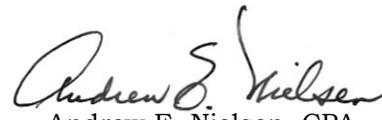
Conclusion – Response accepted.

City of Carlisle

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Director
Ryan T. Jelsma, Senior Auditor
Marcus B. Johnson, Staff Auditor
Tyler H. Moran, Assistant Auditor



Andrew E. Nielsen, CPA
Deputy Auditor of State